Bank of British Columbia

Canada's Western Bank

Contents


10th
ANNUAL REPORT 1977

Annual Statement Highlights

	1977	1976	% Increase
TOTAL ASSETS	$1,178,178,504	$844,443,263	39.5
TOTAL DEPOSITS	1,097,930,646	785,713,285	39.7
LOANS	843,193,523	629,747,347	33.9
SECURITIES	122,076,430	77,054,933	58.4
BALANCE OF REVENUE	7,711,654	5,878,643	31.2
BALANCE OF REVENUE (after provision for income taxes)	4,456,654	3,128,643	42.4
PER SHARE*	4.42	4.05	9.1
PER SHARE (number of shares outstanding at year end)**	3.49	3.06	14.1
DIVIDENDS PAID	809,696	574,374	41.0
CAPITAL FUNDS (including accumulated appropriations for losses)	46,946,611	36,988,933	26.9
NUMBER OF SHARES ISSUED**	1,276,386	1,021,109	25.0

$5-6 → refine dividends

*The after tax balance of revenue has been calculated on the weighted monthly average of fully paid shares. These were 1,008,742 shares and 773,354 shares for the respective years.

**Based on increased number of shares resulting from the August 1977 rights issue of 255,277 new shares.

For tax purposes Bank of B.C. stock was quoted on Valuation Day, December 22, 1971, at $22.25 per share.

15-20

Albert E. Hall,
Chairman of the Board and Chairman of the Executive Committee

Report to Shareholders

It is now a decade since the Bank of British Columbia opened its doors for business. In that relatively short period of time, it can be said that a pattern of success has been established and that this pattern made itself evident early in the Bank's development. Virtually all of the initial objectives have been achieved or are on schedule in the process of achievement.

We are one of Canada's national banks with branch representation in the nation's two most westerly provinces, with a Head Office in Vancouver within easy reach of the western business community, and with an Agency in San Francisco. We are doing business internationally in thirty countries around the world and will see our activities in that respect accelerate in the near future.

Undisputedly, we have made an important contribution to the Canadian banking scene not only with the establishment of a major money market in the West and the formation of our Real Estate Investment Trust, but in the innovative banking plans we have introduced and the somewhat unorthodox but effective means we have employed to draw those plans to the attention of the public.

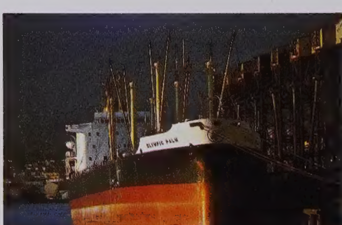
While it was not high on our list of priorities, our performance as a banking precursor in Western Canada has obliged Canada's larger, longer established banks to turn more of their services to the West. As a result, Western Canada is better served by all Canadian banks than ever before.

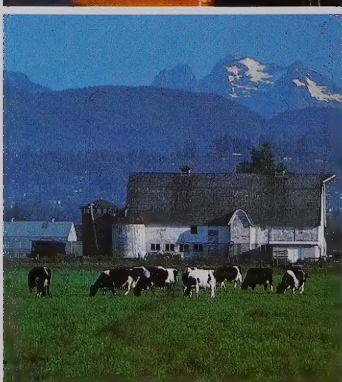
I don't think it is unduly immodest to make these observations. In reminding ourselves of past performance we can draw strength for ongoing performance. One thing is certain as we enter this next decade, we will not let down our effort. Forces at work within the nation and in the family of nations must command all of our attention, all of our energies and all of our skills and innovative approaches if we are to report the same degree of success in our twentieth year as prevails in our tenth.

To say that Canada is in an unusual state of flux at this time is an obvious understatement. The interplay between the Canadian nation and its individual provinces, the interplay between the provinces themselves, and the overt movement of individual provinces toward various degrees and kinds of sovereignty must be kept in close focus.

These are interesting times. As the Bank proceeds on schedule with its plan to establish branches in every major Canadian city, the needs in those financial centres are going to change. We must be ready for these changes. We must also understand the forces and the circumstances motivating these changes and be ready to adapt to them and administer to them in whatever useful way we can. If we are able to do that, our stature cannot help but continue to grow in the eyes of the Canadian community. Whatever our policies and performance, our paramount objective must be to do what we can as a bank to contribute to and strengthen Canadian unity. Canada's strength and therefore our strength depends on that.

It is clearly apparent at this moment that, both federally and provincially, governments must exert every effort to improve the economy. Their most useful and natural role will be to create the climate in which business and labour can make their way in a mutually profitable and constructive manner. Not an easy task, admittedly. Canada's traditional position has been to supply vast quantities of raw materials and unprocessed foodstuffs to world markets. Now the demand is increasing and is coming from more sectors to develop more secondary industry in the nation. Development of our manufacturing sector would be a major contributor to alleviating unemployment in this country. It is my personal opinion that Canada's growing concern over disunity would be largely put to rest if unemployment was brought into line and the economy was stabilized.





If governments provide the salutary economic environment, then it becomes the responsibility of business and industry to take advantage of that environment to develop new enterprises and produce for new markets, as well as for the established ones.

The Bank cannot stand apart from all this, nor does it propose to. It will and must do whatever it can, within the framework of its resources, and with due regard to its shareholder responsibility, to serve the traditional natural resource industries in this country on the one hand and the emerging secondary industries on the other. For the Bank's efforts to be useful and profitable, it must not limit its horizons to Canadian boundaries. We are aware of that and have not relaxed our efforts to establish agencies, correspondents and consultants outside of Canada, throughout the trading world.

Japan, for instance, is an almost untapped market for Canadian manufactured goods. For a variety of reasons, Canadian business and industry have penetrated that market slowly, with difficulty and with some indifference. The Bank is in a position to provide introductions as well as financial assistance to Canadian manufacturers concerned in finding Japanese markets. The process will call for some effort on the part of all concerned. For instance, we must exert ourselves to understand the Japanese style of doing business just as they have laboured to learn our style. The market is there and the bank can help to gain entry.

There are other rapidly growing Asian markets to explore and the Bank has a financial and consultative part to play in the development of trading arrangements with them. The same can be said, in due course, for China. The concept of the world as a global village is pertinent and cannot be ignored in these times. Certainly the Bank, in its first concern to serve the Canadian economy and to grow with Canada, must build strong ties with other markets and this process is well on its way.

The Bank of British Columbia is young as an institution. We possess a demonstrated vitality and innovativeness that have served us well and have worked to the advantage of our shareholders, employees and clients. We propose to apply those qualities to the future.

The Bank of British Columbia will remain a western based Bank with its Head Office in Vancouver. We will open the doors to the Pacific Rim nations in financial respects as the Bank is ideally situated on the edge of this growing and dynamic market. We do, however, look worldwide for opportunities which avail themselves to us. We take pride in our performance to date and at the same time look with enthusiasm towards the future.

A E Hall

Albert E. Hall,
Chairman of the Board

Trevor W. Pilley,
Deputy Chairman,
President and
Chief Executive Officer

There are signs, faint but visible, that business confidence in this nation over the next year is set for an upturn. Pre-tax corporate profits this year are up 12% following two years of no growth. Inflation, excluding food prices which have proved to be volatile, is trending downwards. The construction industry appears to have reached its cyclical trough and hopefully can only improve. Governments have shown greater fiscal responsibility and are aiming for balanced budgets. In addition, the lower-valued Canadian dollar augurs well for a healthy increase in Canadian exports despite tough international competition.

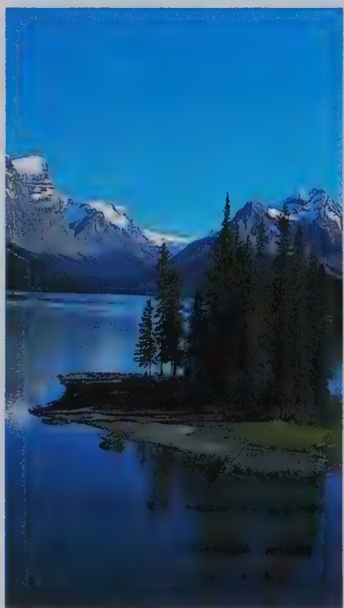
The confidence that I sense emanates from the West – British Columbia and Alberta. Economic growth in these two Provinces has been double that of the nation this year. As we look towards 1978, I believe that our energy-related investment programs will be the catalyst to start this country moving forward again. For example, cost estimates of building the Alaska Highway gas pipeline alone range up to $12 billion. This will create a demand for capital goods, much of which will be spread across the country, leading to higher levels of plant utilization and triggering further expansion.

In a broader context, Canada's capital needs over the next decade are forecast to reach almost $900 billion, some 25% of this nation's total output. To ensure that we meet this program, the private sector must be unleashed now, and every element that enters the investment decision-making process examined, and strengthened where appropriate. This morning I will highlight some factors which have, in the past few years, contributed to a hesitancy in capital spending.

The concept of investment and its role in economic growth cannot be overemphasized. It must be brought into sharp focus in the minds of the public that business capital spending has been, and will continue to be, the source of rising living standards in this nation. When business expands its facilities or builds new ones, more workers are absorbed into the production process. Furthermore, with improved machinery, the same number of workers can produce a greater quantity of product within a specified time period. It is precisely through this increase in output per employed person, or per manhour worked, that a nation of 23 million can achieve a living standard comparable to the United States, with ten times as many people. Efficiency and economic growth are the product of *capital and labour working together.* If we are to provide meaningful work for those on our unemployment rolls, private sector investment is the only realistic solution. Over the past five years, each job created has required, on average, $93,000 new investment. Over the next decade this capital per job ratio will likely increase, which makes even more important the role of investment in economic growth.

In our economic system, investment decisions are made only when longer term profit potential exists. We cannot force-feed capital spending in the short term through fiscal expansion or tax adjustments when the long term is clouded by uncertainty. To do so is but a short term panacea which will only heighten business cycle swings, leading to greater unemployment and higher inflation. The danger is apparent that we may fall into a "risk trap" whereby increased uncertainty lowers the expected benefits of an investment well below the rate required by savers, thus inhibiting capital spending.

One major cause of uncertainty at the moment is the fear of further inflation. The record shows that capital costs adjust more rapidly to accelerating inflation than final selling prices, thereby eroding the return from a specific capital project. As plant costs rise, depreciation allowances are inadequate to replenish equipment. In effect, inflation taxes the existing capital structure of the economy. We are forced to live off aging and inefficient equipment. Productivity falls, making it more



difficult to check inflation. In addition, tax incentives to investment are neutralized as overvalued earnings fall due to income taxation. This further drains the earnings of firms, often leading to upward pressure on product prices.

In the capital markets, inflation directs spending towards those short-lived assets which are less susceptible to uncertainty. We witness a greater reliance on debt, as opposed to equity financing. Outstretched debt ratios and declining interest coverage are but the ravages of unchecked inflationary expectations. There is a point which is fast approaching where some firms will no longer be able to rely to an increasing extent on debt financing.

To businessmen, inflation has become equated with low operating rates followed by recession. This is a function of the stop-and-go growth pattern coupled with the unprecedented inflation experienced since the quadrupling of oil prices by OPEC in 1973. Utilization rates either appear too low to trigger expansion, or once they pick up, the fear of impending recession militates against spending plans. This inflation-recession paranoia has been built into our planning system and redounds most unfavourably to consumer, as well as business confidence.

As we approach the post-Anti-Inflation Board control era, the onus is squarely on the private sector, both management and labour, to ensure that prices and wages do not escalate, and that inflation does not demoralize investment intentions, thereby inhibiting job-creating growth. Unemployment cannot be solved unless inflationary expectations dissipate. Otherwise, we will not have the kind of economic environment, particularly interest rates, that will lead to rekindled strength in capital spending. I counsel that any policy of demand stimulation must be traded off against the price expectations it will generate.

Let me turn briefly now to our wage and price control program. Wage and price controls will effectively remain with us until the fourth quarter of calendar 1978 when 70% of companies and 50% of employees will be released. The particular form of controls we have experienced has locked the economy into a pattern of relative prices that existed at a given point in time. The longer controls are in place, the less relationship these prices bear to market conditions. Hence, following a legislated system of prices and incomes, a readjustment normally takes place. At this time there is enough slack in the Canadian economy that few major adjustments would have been necessary had controls been lifted cleanly in the New Year. Nonetheless, planning can proceed, given the announcement of explicit dates for decontrol. I caution the Federal Government that the character of the proposed monitoring agency must be spelled out immediately, and that a time frame be specified so as to ensure that the spark of confidence of which I spoke earlier is not extinguished.

Permit me to draw a quick analysis of wage and price controls. The message is simply that *the end of controls is a major positive element in business planning.*

In essence, the A.I.B. program discouraged productivity. The profit margin rules had the unfortunate consequence of encouraging some firms to reduce efficiency in order to justify greater cost pass-through to prices. This process was heightened through product redefinition and the loss of quality. The administrative aspect of the controls program introduced a regulatory lag to the system which had a harmful effect on investment. Controls impacted on dividend policies which only served to dampen spirits in the equity markets. Finally, the question must be asked whether wage and price controls have resulted in lowering our inflationary expectations. The controls program has certainly had a negative impact on our thinking with respect to economic activity in this country. To this extent it has no doubt lowered expectations. However, I remain

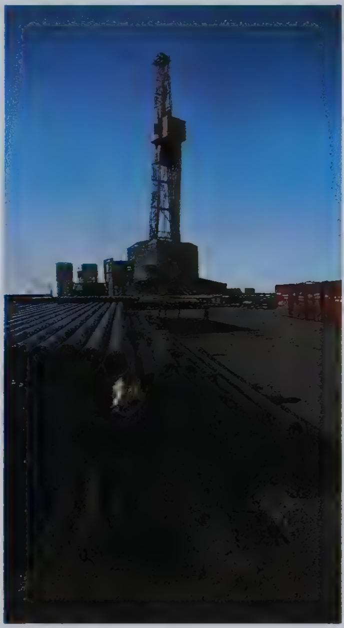
most disturbed by the fact that almost 60% of new wage contracts negotiated since the inception of A.I.B. have been for a one year period. The proportion immediately prior to controls was about 45%. The lifting of controls, although protracted to the end of 1978, can only augur well for investment, but it will not be without pain. To this end, both management and labour must work closely to ensure that wages and prices do not once again soar out of hand.

Investors must also feel some security about their investments over the longer term. To a significant extent, this depends upon a lower level of government intervention in the economy. Governments' share of the national output has become too large relative to the savings pool required for longer term investment. I alluded to this fact last year, and I am encouraged to see that all levels of government have attempted to contain their expenditure growth. However, the demand for public services does not seem to be abating. Government is being pressured to respond to matters such as income distribution, the environment, consumer protection and natural resources. If these trends go unchecked, the size of government deficits could lead to a depressed bond market thus forcing the private sector to accept higher domestic rates, or financing to a larger extent outside Canada. The latter could lead to increased exchange rate volatility which is a further depressant to investor confidence. But most disturbingly, if governments insist on implementing policies that provide for case-by-case bureaucratic interpretation, uncertainty will be perpetuated, and this will be a key negative factor in the attainment of our goals. Well-intentioned legislative programs such as the Competition Bill and the Borrowers and Depositors Protection Act must be abandoned in their present form as they are ambiguous in application, provide excessive bureaucratic powers, and promote an interventionist philosophy.

As a nation, we have often overemphasized social and environmental policies at the expense of job-creating economic growth. Increasing regulatory intervention stemming from the clamour over environmental protection has increased the cost of facilities significantly. This often leads to the cancellation of needed productivity-improving investment. However, as long as costs are calculable, they can be factored into investment decisions. It is precisely the uncertainty surrounding the changing nature of environmental regulation, and the controversy over retroactive legislation, which is delaying major projects and leading to a reshuffling of construction start dates.

The hesitancy of business to expand capital spending is also a result of inadequate profits or after-tax returns. Here, inflation and the tax system have combined to divert incomes to the public sector. Corporate retained earnings *as a proportion of overall savings* have declined by 11% over the past five years. If this situation is not redressed, pressure will be exerted on the markets merely to maintain the existing flow of capital goods. Although business tax cuts are considered by some analysts to provide no stimulus because of present excess plant capacity, they would, I believe, restore confidence in private sector initiative. This optimism would undoubtedly increase the expected net return of a given project.

The outlook for pre-tax earnings is an encouraging 12% increase this year and a further 16% in 1978. This follows two years of no growth, but nonetheless will probably invite further public demands for redistribution. Labour, in particular, must be made aware that corporate liquidity is often overstated. In times of rising prices, higher dividends are required because only by increasing equity yields can most firms expect to find interested investors. Furthermore, as measured by the ratio of long to short term debt, Canadian corporate liquidity remains some 35% below the past peak



position achieved in 1972. The public's attitude towards profit must be modified from the current, very negative impression held by many, to a way of thinking which appreciates the role profit plays in triggering new investment.

The unstable tax environment in this country has acted as a retardant to investment. Management finds it increasingly difficult to make decisions in a fiscal environment of constant change and uncertainty. In this respect, the resource sector has suffered most. It is precisely in this sector, where Canada enjoys an advantage in world markets, that investment requires the longest lead time, and where it is most necessary if we are to reduce unit costs and compete effectively. An overlap of provincial and federal taxing statutes is a major problem. I commend our present Provincial Government for repealing the oppressive Mineral Royalties Act. This can only engender confidence in the mining industry. However, mining is still left with an effective tax rate of 57% compared with slightly over 40% in manufacturing.

An almost paranoid concern with tax loopholes on the part of our public servants and politicians has led to a protracted budgetary process and has caused great uncertainty. We have just witnessed, for the second time in four years, a budget die on the Order Paper and its provisions reintroduced later in a revised form. This uncertainty concerning fiscal regulations has added to the hesitancy on the part of business to make investment decisions. A tightening of this process is required as soon as possible.

Most discouraging, however, is the lack of tax incentives for research and development. Sound investment decision-making must rest on sound R and D. In Canada, spending in this category over the last five years, after taking out the effects of inflation, actually declined at a rate of 1% per year. This compares unfavourably to an increase of 3.2% per year during the 1966-1971 period. As a proportion of capital spending, research and development in Canada is among the lowest in the western industrialized world.

I would now like to address the problem of productivity. The outlook for efficiency gains is yet another element that determines the profitability of investment alternatives.

It is the present lack of concern for productivity that clouds the investment horizon. Through the past five years, our efficiency has slowed markedly. From 1966 to 1971, the growth rate of real gross national product per employed person was 2.2% per year. However, since 1972 the rate of increase has been a disappointing 1.2% per year. When productivity slows, our unit production costs rise, which can only mean higher prices, followed by higher wages. As a result, not only can we not compete effectively abroad, the export advantages of our competitors are reinforced and we cannot compete effectively at home. Job opportunities disappear in industries unable to keep abreast of competition.

A dedication to improving productivity is urgently required. Government, as an enterprise, must encourage its own efficiency in the production and distribution of its services. As a legislative body, all policy proposals must be examined with respect to possible impacts upon efficiency in the private sector. Remedial action dealing with labour relations, transportation, depreciation of assets, and research and development must be rationalized with the longer term in mind. This will not be easy, since a conscious preoccupation with the productivity question requires a legislative commitment beyond the approximate four year time horizon of our politicians. More emphasis must be placed on supply management. We must avoid regulatory and tax disincentives to productivity gains and hence to price competition.

At the corporate level, productivity management must become central to the decision-making process. Plant or office layout, technological change, and the rate at which it is incorporated, indeed

every aspect of the production-distribution-marketing system should be measured. The record shows that firms with a preoccupation for productivity management outperform the market with respect to profits, market penetration, sales volume and product quality. Furthermore, without necessarily any conscious effort on its own part, the company is placed in the socially desirable position of conserving scarce inputs of both labour and capital resources. This dimension of productivity is only now being perceived in light of the emerging 'conserver society'.

At the bottom line, productivity gains mean lower prices and higher living standards. This is the only means by which we can meet income expectations, mitigate our inflationary pressures, compete favourably in international markets and restore private sector investment as a source of job growth. I, for one, would like to see a commitment to productivity emanating from within the private sector in the form of a productivity council. Activities would include: the monitoring of government legislation and generation of policy proposals favourable to productivity improvement; research in the area of 'productivity sharing' within labour negotiations; and a national library and computer data bank on business productivity issues and measurement. Such councils already exist in Japan, West Germany, and recently, the United States.

At the outset I stated that the upturn in business confidence, although only a spark at the moment, should ignite here in the West. I would now like to turn briefly to the promising outlook for both Alberta and British Columbia in 1978.

In British Columbia we expect gross provincial product after discounting inflation to improve a further 4.5% to 5%. We should not expect activity of boom proportions, but rather a gradual strengthening of our present position with renewed vitality in retail trade and, to some extent, construction. Lumber production is expected to maintain its buoyancy. Unemployment should abate marginally from an expected 8.5% in 1977 to slightly over 8% next year. Employment gains should be made within the service and construction sectors. Inflation is likely to decline further with consumer prices rising by 7%. The keynote to this Province's economic potential lies in the anticipated strength in industrial relations.

The outlook for Alberta next year is for continued performance in gross provincial product in the order of 5% after allowance for inflation. Investment remains the major contributor to the economic advance, focused on oil and gas exploration and petrochemicals. To service large energy projects the trade and financial sectors should continue their expansion over the near term. Any marginal increase in the unemployment rate will be due to rising labour force participation consonant with expansion of services and further immigration to the Province. I am, however, mildly concerned about possible mounting price pressures in this booming region.

In summary, I believe the two westernmost Provinces will once again outperform the nation – a nation wherein business confidence is set for an upturn. Business, labour and government must recognize that stable economic growth rests ultimately upon Canadian price competitiveness in tough international markets and that investment is the route to improved productivity and job creation. This morning, I have touched on a number of areas where action *must* be taken to further encourage investor confidence: inflation; regulatory involvement in business decisions; the public's attitude towards the 'profit' concept; taxation; the protracted budgetary process; and the productivity question. Finally, I remain optimistic that the attitude of introspection which has been set in motion by the sluggish national economic performance of late will only benefit the economy in the years ahead.

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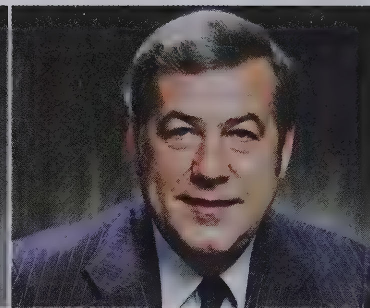

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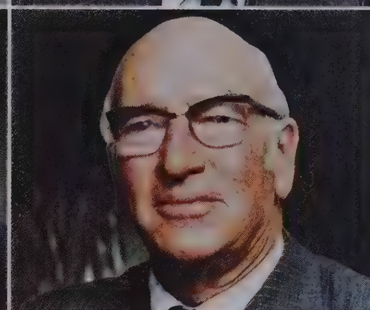

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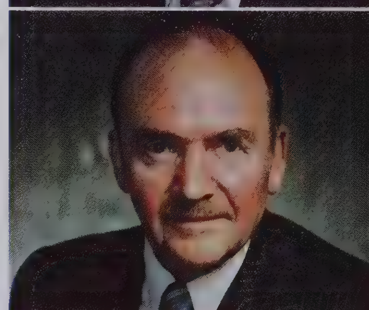
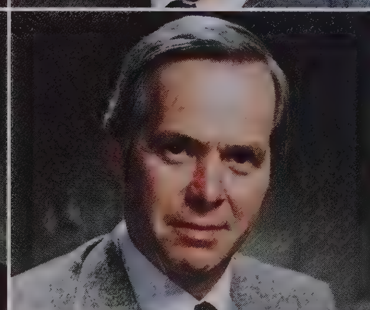

HARRY BOOTH
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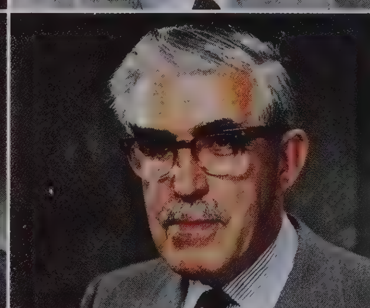

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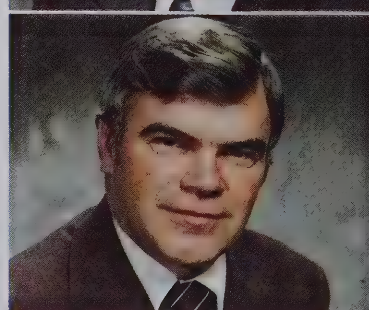


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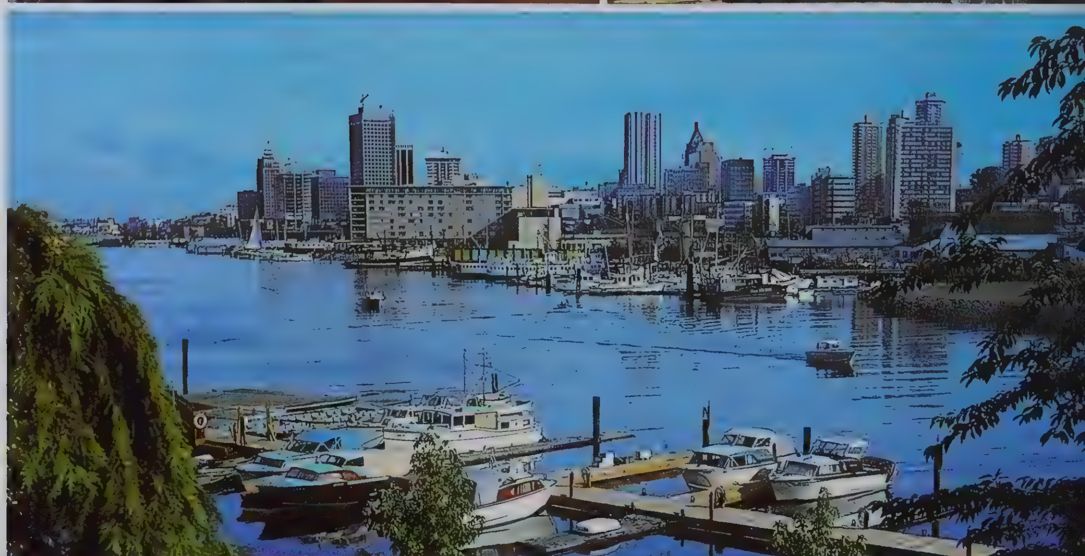
Victor Dobb,
Executive Vice-President and General Manager



General Manager's Report

On the occasion of the Bank's Tenth Annual Report to Shareholders, I am particularly pleased to relate the outstanding progress and performance achieved for the fiscal year ended October 31, 1977. Important milestones were attained during the year in surpassing the $1 billion level of assets and deposits, as well as exceeding $100 million in revenues for the first time.

Business Environment

Throughout the fiscal year the banking environment was conducted in the climate of a sluggish economy, a declining interest rate structure related to the Bank of Canada's monetary policy, and a depreciating Canadian dollar.

In the latter months of 1976, narrowly defined money supply was not falling within the Bank of Canada's then established target range of 8% to 12%. This led to four successive reductions in the bank rate of ½% each between November 1976 and May 1977, prompting corresponding reductions in the Bank's prime rates down to 8¼% from 10¼% at the beginning of the fiscal year. In addition, secondary reserve requirements were lowered from 5½% to 5% in February of this year, increasing the free liquid assets of the banks available for lending purposes.

The Bank of Canada's stated objective of slowing the rate of inflation, coupled with an attempt to ease a volatile foreign exchange market, led to a lowering in October of the target range for narrowly defined money supply of 7% to 11%, calculated on a June, 1977 base.

Over the fiscal year the Canadian dollar has experienced a 12% devaluation relative to the U.S. dollar. In 1976 the Canadian dollar was over valued and traded at a premium to its U.S. counterpart. This was due largely to heavy New York debt financings of municipal and provincial governments, Crown corporations and some corporate issues. When these borrowings fell off, so did the Canadian dollar. Further downward pressure throughout the year was precipitated by a negative assessment of developments in Quebec, a narrowing of the interest differential due to the upward movement of U.S. rates, as well as some technical factors such as the money flows earmarked for interest and dividend payments to non residents, and a widening deficit on our current account.

Operational Highlights

Strong gains were again recorded in all categories of the balance sheet. Total assets increased from $844 million to $1,178 million. Deposits grew by $312 million to $1,098 million at the fiscal year end, with personal savings showing a very satisfying growth of $113 million, or 43% over the previous year. This year the volume growth was translated into bottom line performance with balance of revenue after taxes recorded at $4,457,000, up from $3,129,000 a year ago, for an increase of 42.4%. Considering that the Bank has found it necessary to accommodate its rapid expansion over the past three years with an equal number of rights issues to shareholders, we are particularly pleased that, notwithstanding the dilutive effects of these share issues, we have been able to increase after tax per share earnings from $4.05 last year to $4.42 in fiscal 1977.

Capital Funds

The most recent rights offering of 255,277 new shares at $24.00 per share on the basis of one new share for each four then held, was completed in early October this year. This issue was the most successful to date, with 94.5% being fully subscribed and the balance underwritten and sold privately. The positive response to this rights offering was most encouraging and clearly demonstrates the overall strong level of shareholder confidence and tangible support enjoyed by the Bank. This has been further expressed by the strong market activity and trading level of our shares.

Capital funds, including Accumulated

Appropriations for Losses, now stand at approximately $47 million and increased during the year by some $10 million. Of this figure, $1.2 million has been provided from receipt of the outstanding net amount due from the Bank's September 1976 rights issue; $4 million from the August 1977 issue; $2,650,000 transferred from undivided profits to Rest Account, with additions to Accumulated Appropriations for Losses Account amounting to $2.1 million. During fiscal 1978 a further $2 million will be added to capital as a result of subscription payments due after October 31, 1977, representing the net balance of those partly paid shares being purchased over a ten month period as provided for in the Bank Act.

While on the subject of capital funds, it should also be noted that on November 15, 1977 $4.5 million of the outstanding issue of $5 million 7½% debentures maturing in 1991 were retracted under the terms of the holders option. Subsequently, on November 21, 1977, $6 million new 9% debentures maturing in 1984 were issued.

Loans

Loan demand remained fairly constant throughout the year and our business loan portfolio increased by over 31%. Consumer lending under our WestBank loan programme grew at a faster pace and increased by about 42%, whereas mortgage loans, year over year, rose by 27%. This latter figure does not fully reflect mortgage lending activity, as approximately $5,700,000 of mortgage loans were sold during the year to our affiliate, BBC Mortgage Ltd. and to the Staff Pension Fund. Including this figure, mortgage lending activity increased by 37% over the previous year.

I have not previously discussed in any detail our consumer lending activities which represent a significant factor in our retail thrust. Through an aggressive marketing effort and a high degree of professionalism, loan programmes for automobile, recreational vehicle and marine dealers, as well as a second mortgage package, have been developed which generate a good volume of personal lending transactions. These, in turn, produce retail deposit relationships which have contributed to the significant personal savings increase this year.

Provision for Losses on Loans

In keeping with the trend towards greater disclosure of financial information, comparative figures for fiscal 1977 and 1976 relating to the provisions made for losses on loans, have been given in the financial statements. The loan loss experience of your Bank for fiscal 1977 expressed as a percentage of eligible loans was 0.40% (or $3,330,437) an increase over the previous year of 0.04%. Based on the five year moving average loss experience, this resulted in a charge to operating expenses of $3,191,210 with the balance of $139,227 being deducted from Accumulated Appropriations for Losses.

The Statement of Accumulated Appropriations for Losses shows an overall increase of $2.1 million in amounts set aside for contingency purposes from $5,351,000 to $7,487,000.

Dividends

Dividends to shareholders declared and paid during the year increased from $574,000 to $810,000, representing an annual dividend of 80¢ per fully paid share. The dividend policy of the Bank, which continues to be subject to A.I.B. guidelines, has been established at 88¢ per share for the current fiscal year on a quarterly basis. The first quarterly dividend of 22¢ per share under this programme was declared November 22, 1977, payable January 5, 1978 to shareholders of record December 9, 1977.

Operating Costs

A review of financial results would not be complete without reference to operating costs. In the Statement of Revenue and Expenses, Other Operating

Expenses, net of loan loss provisions, increased $3.6 million. Expressed as a percentage of net revenues (i.e. total revenue less interest costs) these expenses represent 23.8%, compared to 20% last year. This figure is made up of a variety of expenses, not the least of which is the increased costs of acquiring and moving management personnel to staff the growing needs of new and existing branches and Head Office support functions.

Advertising costs were also higher as we entered the television market for the first time, but the benefit of these expenditures do not reflect in immediate revenue generation. With Lorne Greene as our spokesman, we look forward to a marketing thrust which will develop a good response to our services.

As well, communications, stationery, postage, equipment rentals and the acquisition costs of new business are all escalating without necessarily a matching revenue increase. For example, all banks agreed to a voluntary price freeze on posted service charges in January 1976, which was subsequently extended for a second year to October 31, 1977. A.I.B. now proposes to extend price controls for a third year to October 31, 1978 with only a modest increase in service charge revenues permitted. In this regard the banks, unlike other industry, have not been permitted the flow through of the substantial cost escalations which have taken place. In our plans for 1978, we are making every effort to effect a reduction in the relationship of operating costs to net revenues.

Branch Development

During the past fiscal year your Bank opened new branches in Forest Lawn, Calgary and in Haney, British Columbia. Two other branches, Prince George and Tenth Avenue and Sasamat Street, Vancouver were planned to open, but have been carried over into the next fiscal year as a result of delays in municipal approval and construction processes. Tenth & Sasamat was opened last week, bringing our total domestic branch network to 36, of which 29 are in British Columbia and 7 in Alberta.

Also scheduled for the year ahead are seven additional branches, to be opened within the metropolitan areas of Calgary, Edmonton, Vancouver and Victoria. This appears to be an ambitious programme, considering that we have only had seven branch openings in the last three fiscal years. However, it must be remembered that over this period we have committed a large part of our premises budget to upgrading our existing branch network to accommodate business growth. There is still a great deal to be accomplished in this area, but with our expanded capital base it is important that we increase our market penetration through selective branch expansion at a somewhat greater pace.

International Banking

During the past year the Bank expanded its International business significantly. Loan growth was again concentrated in the sovereign, inter-bank and corporate sectors, with an emphasis on project finance.

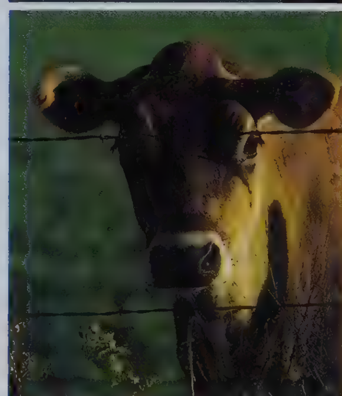
In spite of narrowing spreads in the International loan market, a satisfactory return on assets was achieved, with the aid of substantial earnings from foreign exchange and fees.

Several new markets were visited by senior officers in an enhanced overseas call programme, resulting in a number of new business opportunities.

Plans for the continued development of the International Banking Division include the establishment of a representative office in London, England, in 1978.

Human Resources

In this our tenth anniversary year, our personnel, through their abilities and enthusiastic pursuit of corporate and individual goals, are largely responsible for our tremendous achievement. I take great pleasure in thanking them all on



your behalf for an outstanding job.

The Bank's Compensation and Benefit programme continues to be among the leaders in the financial industry which facilitates acquisition of aggressive, highly motivated and career oriented individuals who join our organization to establish a career for themselves and help build your Bank into an important financial institution.

A new and greater challenge for fiscal 1978 will be to maintain our growth and meet our corporate objectives, while embarking on an aggressive expansion of our Branch network.

I know all our personnel will continue to provide solid support in the Bank's continued growth.

Fiscal 1978.

There are encouraging signs for an improved economy next year with British Columbia and Alberta expected to outperform the national growth. This means that your Bank is particularly well placed to meet the challenges of a very competitive environment.

Haney–11955–224th Street

Calgary–3620-17th Avenue S.E.

Bank of British Columbia

Financial Statements

Statement of Revenue, Expenses and Undivided Profits

Year ended October 31, 1977 (With comparative figures for 1976)

	1977	1976
Revenue:		
Income from loans	$ 88,387,792	$ 67,420,767
Income from securities	6,518,371	4,456,080
Other operating revenue	6,356,424	4,778,181
Total revenue	101,262,587	76,655,028
Expenses:		
Interest on deposits and bank debentures	61,571,195	47,611,026
Salaries, pension contributions and other staff benefits	16,237,162	12,650,145
Property expenses, including depreciation	3,087,498	2,437,961
Other operating expenses, including provision of $3,191,210 (1976–$2,248,474) for losses on loans based on five-year average loss experience	12,655,078	8,077,253
Total expenses	93,550,933	70,776,385
Balance of revenue	7,711,654	5,878,643
Provision for income taxes relating thereto (note 3)	3,255,000	2,750,000
Balance of revenue after provision for income taxes	4,456,654	3,128,643
Appropriation for losses	2,675,000	1,875,000
Balance of profits for the year	1,781,654	1,253,643
Dividends	809,696	574,374
Amount carried forward	971,958	679,269
Undivided Profits at Beginning of Year	69,402	65,133
Transfer from accumulated appropriations for losses	1,675,000	1,150,000
	2,716,360	1,894,402
Transfer to rest account	2,650,000	1,825,000
Undivided Profits at End of Year	$ 66,360	$ 69,402

Bank of British Columbia

Statement of Accumulated Appropriations for Losses

Year ended October 31, 1977 (With comparative figures for 1976)

	1977	1976
Accumulated Appropriations at Beginning of Year:		
General	$ 5,233,861	$ 3,954,767
Tax-paid	117,116	65,047
Total	5,350,977	4,019,814
Additions (deductions) During Year:		
Appropriation from current year's operations	2,675,000	1,875,000
Loss experience on loans for the year less provision included in other operating expenses	(139,227)	(24,613)
Profits (losses) on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	341,811	(50,278)
Income tax credit relating to appropriation from current year's operations (note 3)	933,215	681,054
Transfer to undivided profits	(1,675,000)	(1,150,000)
	2,135,799	1,331,163
Accumulated Appropriations at End of Year:		
General	7,288,063	5,233,861
Tax-paid	198,713	117,116
Total	$ 7,486,776	$ 5,350,977

Statement of Rest Account

Year ended October 31, 1977 (With comparative figures for 1976)

	1977	1976
Balance at beginning of year	$ 14,104,871	$ 11,100,000
Premium on issue of capital stock – 1976 issue	523,184	1,263,756
Expenses of issue, net of income taxes (note 3) – 1976 issue	(77,063)	(83,885)
Premium on issue of capital stock – 1977 issue	2,392,662	–
Expenses of issue, net of income taxes (note 3) – 1977 issue	(120,313)	–
Transferred from undivided profits	2,650,000	1,825,000
Balance at end of year	$ 19,473,341	$ 14,104,871

Statement of Assets and Liabilities as at October 31, 1977

(With comparative figures at October 31, 1976)

Assets

	1977	1976
Cash Resources:		
Cash and due from banks	$ 90,001,314	$ 63,947,533
Cheques and other items in transit, net	71,104,438	37,031,204
	161,105,752	100,978,737
Securities:		
Securities issued or guaranteed by Canada, at amortized value	66,744,964	52,382,473
Securities issued or guaranteed by provinces, at amortized value	16,785,952	5,089,441
Other securities, not exceeding market value	38,545,514	19,583,019
	122,076,430	77,054,933
Loans:		
Day, call and short loans to investment dealers and brokers, secured	6,034,399	9,446,826
Other loans, including mortgages, less provision for losses	837,159,124	620,300,521
	843,193,523	629,747,347
Bank premises, at cost less amounts written off	6,871,348	5,503,690
Securities of and loan to a corporation controlled by the Bank	13,933,238	10,346,126
Customers' liability under acceptances, guarantees and letters of credit, as per contra	30,446,696	19,968,268
Other assets	551,517	844,162
	$1,178,178,504	$844,443,263

TREVOR W. PILLEY,
Deputy Chairman, President and Chief Executive Officer

VICTOR DOBB,
Executive Vice-President and General Manager

Bank of British Columbia

Statement of Assets and Liabilities as at October 31, 1977
(With comparative figures at October 31, 1976)

	1977	1976
Liabilities		
Deposits:		
Deposits by Canada	$ 18,237,377	$ 9,755,929
Deposits by provinces	33,645,505	42,035,100
Deposits by banks	50,289,671	59,621,001
Personal savings deposits payable after notice, in Canada, in Canadian currency	373,413,845	260,466,873
Other deposits	622,344,248	413,834,382
	1,097,930,646	785,713,285
Acceptances, guarantees and letters of credit	30,446,696	19,968,268
Other liabilities	2,854,551	1,772,777
Accumulated appropriations for losses	7,486,776	5,350,977
Capital Funds:		
Debentures issued and outstanding (note 1)	8,000,000	8,000,000
Capital stock		
Authorized		
2,500,000 shares, par value $10 each		
Issued (note 2)	11,920,134	9,463,683
Rest account	19,473,341	14,104,871
Undivided profits	66,360	69,402
	39,459,835	31,637,956
	$1,178,178,504	$844,443,263

Auditors' Report to the
Shareholders of Bank of British Columbia

We have examined the statement of assets and liabilities of Bank of British Columbia as at October 31, 1977 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Bank as at October 31, 1977 and its revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account for the year then ended.

R. K. Duncan, C.A.
of Winspear Higgins Stevenson & Co.

Denham J. Kelsey, F.C.A.
of Thorne Riddell & Co.

Vancouver, British Columbia
November 21, 1977

Notes to Financial Statements

Year ended October 31, 1977

1. Debentures issued and outstanding

	1977	1976
7½% debentures, redeemable at holder's option in 1977, maturing 1991	**$5,000,000**	$5,000,000
9¾% debentures, redeemable at holder's option in 1980, maturing 1985	**3,000,000**	3,000,000
	$8,000,000	$8,000,000

$4,526,000 of the 7½% debentures were redeemed on November 15, 1977 and, on November 21 $6,000,000 in new 9% debentures maturing January 31, 1984 were issued for cash.

2. Capital stock

In September 1976 and August 1977 the Bank offered shareholders the right to subscribe for additional shares as follows:

September 1976 – $17 per share on the basis of one new share for each three shares held.
August 1977 – $24 per share on the basis of one new share for each four shares held.

The resulting changes in capital stock are as follows:

	Number of shares Issued and fully paid	Number of shares Partly paid	Amount
Balance at beginning of year	937,882	83,227	$ 9,463,683
Proceeds from issues			
September 1976	83,227	(83,227)	747,407
August 1977			
Fully paid	160,493	–	1,604,930
Partly paid	–	94,784	104,114
Balance at end of year	1,181,602	94,784	$11,920,134

Of the proceeds received from the 1977 share issue $1,709,044 has been credited to capital stock and $2,392,662 has been credited to rest account. When the balance of subscription payments due after October 31, 1977 has been received, further amounts of $843,726 and $1,181,216 will have been credited to capital stock and rest account respectively.

3. Income taxes

The income tax provision for the year is included in the financial statements as follows:

	1977	1976
Statement of revenue, expenses and undivided profits	**$3,255,000**	$2,750,000
Statement of accumulated appropriations for losses	**(933,215)**	(681,054)
Statement of rest account	**(92,864)**	–
	$2,228,921	$2,068,946

4. Anti-Inflation legislation

The Bank is subject to Anti-Inflation legislation of the federal government for the year ended October 31, 1977. This legislation provides for restraint with respect to revenue, employee compensation and shareholders' dividends.

It is apparent that the Bank does not have excess revenue as defined in the Anti-Inflation legislation and has not paid employee compensation or shareholder dividends in excess of those permitted.

Statement of a controlled corporation BBC Realty Ltd.

Statement of Assets and Liabilities as at October 31, 1977

(With comparative figures at October 31, 1976)

	1977	1976
Assets:		
Cash in bank	$ 34,073	–
Agreements receivable	266,688	$ 277,916
Houses held subject to agreements for sale to employees of the Bank of British Columbia	13,363,609	9,754,467
Land and buildings, at cost less accumulated depreciation	598,867	611,452
Other assets	30,500	35,000
	$ 14,293,737	$ 10,678,835
Liabilities:		
Accounts payable and accrued liabilities	$ 112,257	$ 82,671
Mortgage payable (note 1)	248,242	250,038
Loan from Bank of British Columbia	13,923,238	10,336,126
Capital stock		
Authorized		
10,000 shares, par value $100 each		
Issued and fully paid		
100 shares	10,000	10,000
	$ 14,293,737	$ 10,678,835

Notes:

1. The mortgage payable is due August 1, 1978 and is secured by certain real property.
2. The Bank of British Columbia owns the entire capital stock of BBC Realty Ltd. which is carried on the books of the Bank at $10,000.

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the statement of assets and liabilities of BBC Realty Ltd., a controlled corporation, as at October 31, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

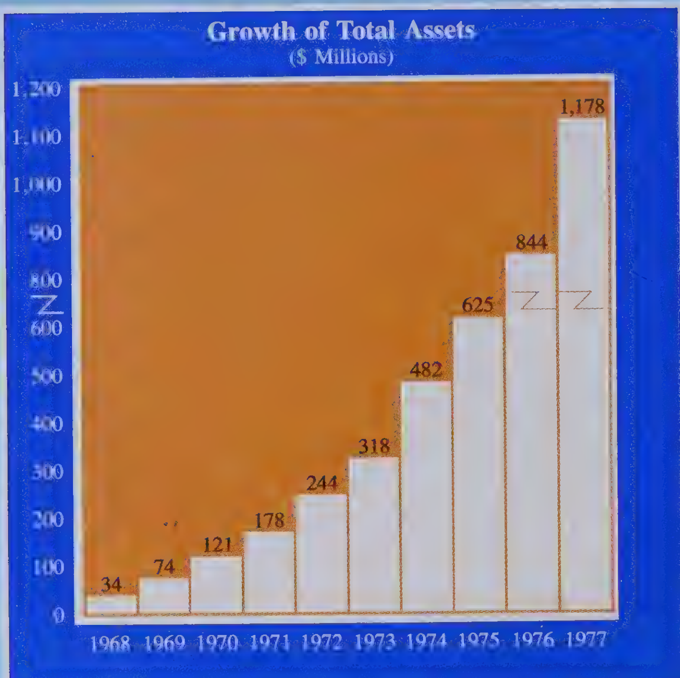
In our opinion, the accompanying statement of assets and liabilities presents fairly the financial position of the corporation as at October 31, 1977.

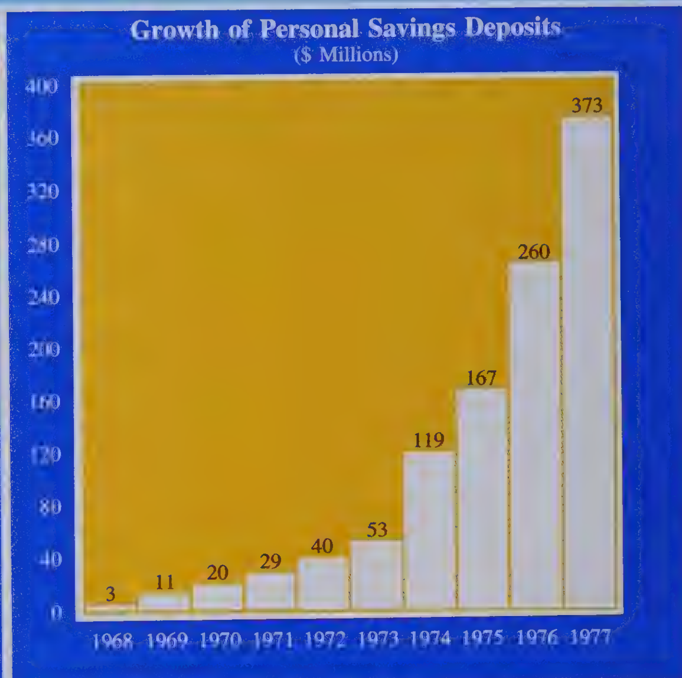
R. K. Duncan, C.A.
of Winspear Higgins Stevenson & Co.

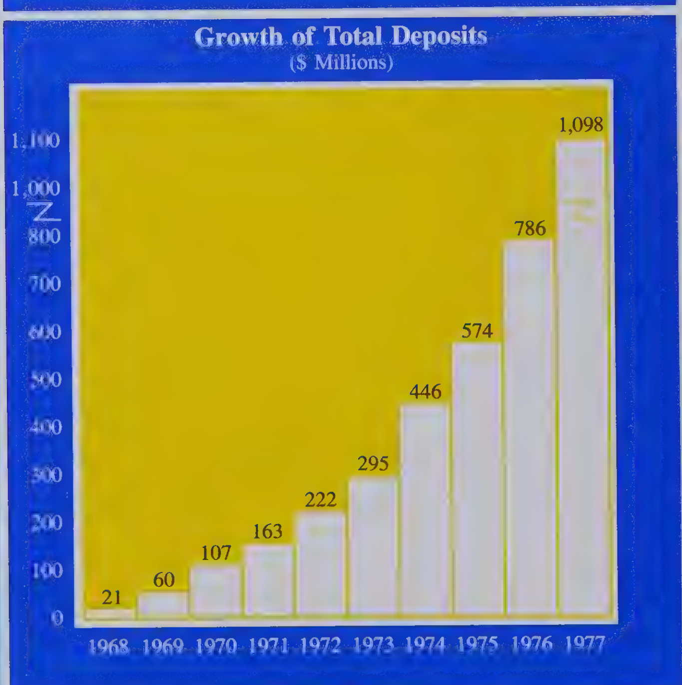
Denham J. Kelsey, F.C.A.
of Thorne Riddell & Co.

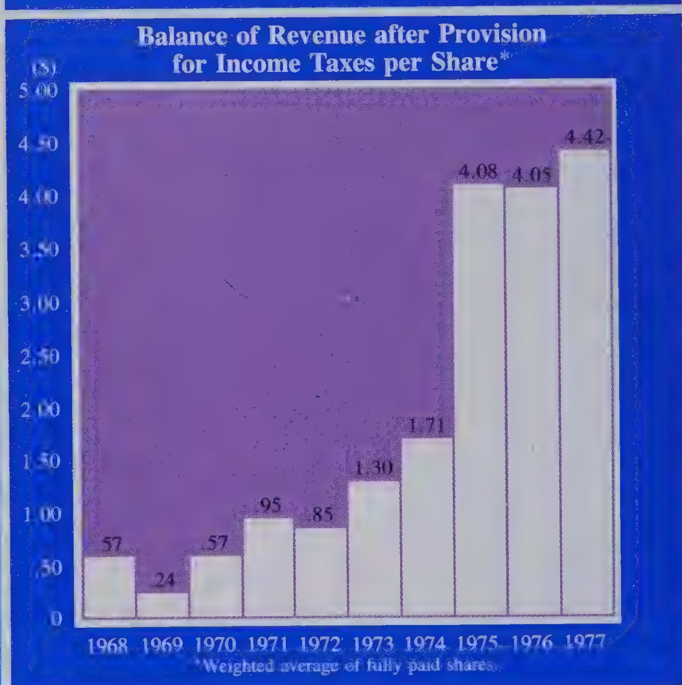
Vancouver, British Columbia
November 21, 1977

Ten Years of Progress

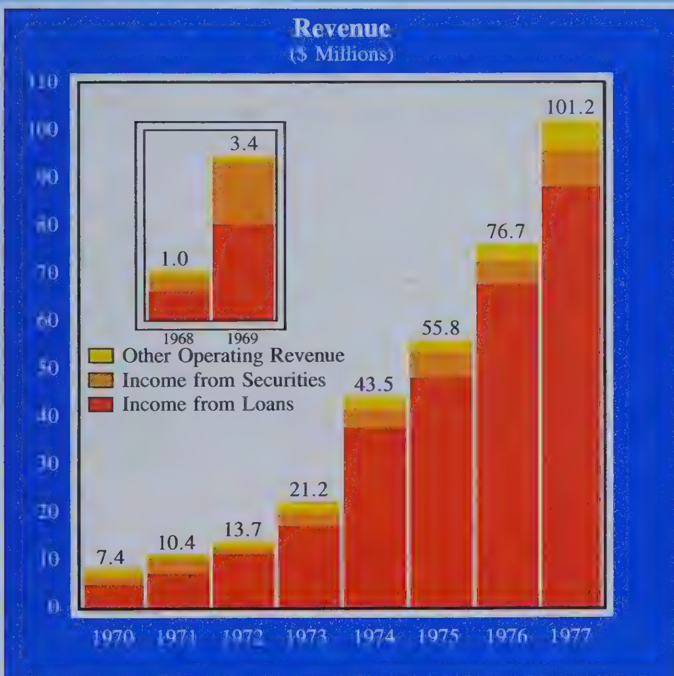


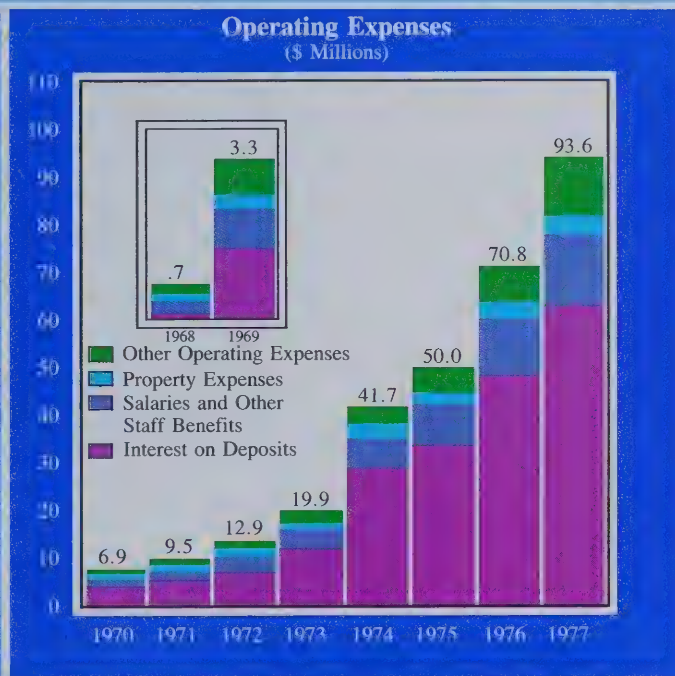


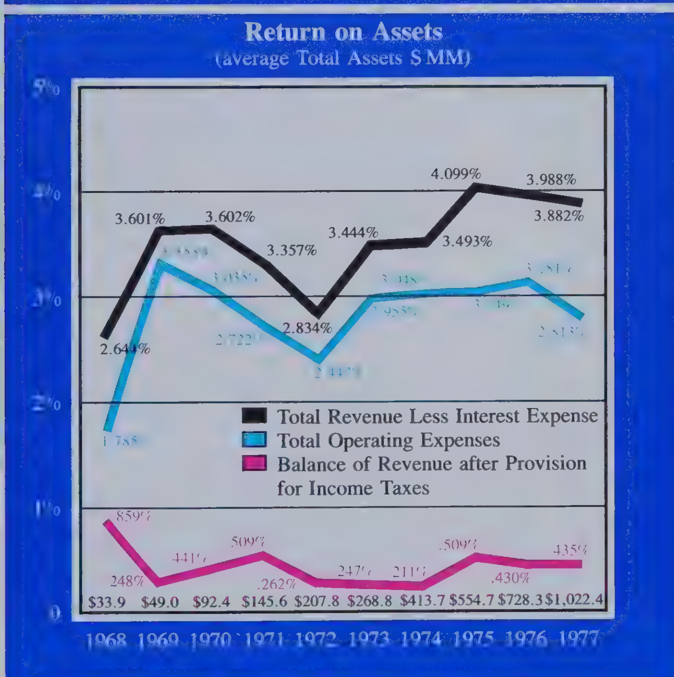


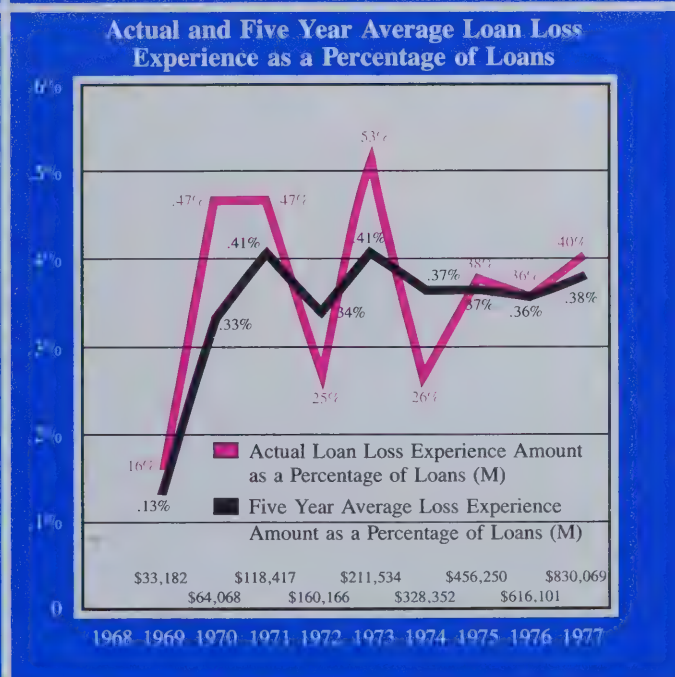


Ten Years of Progress

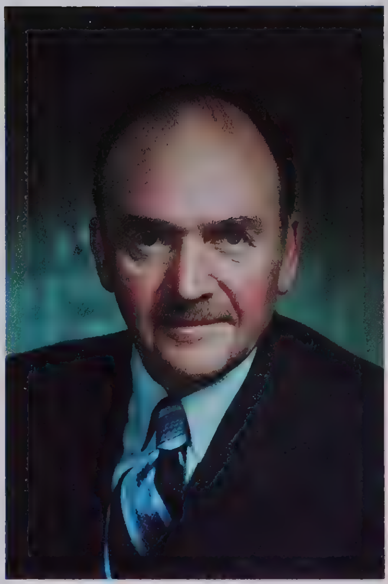


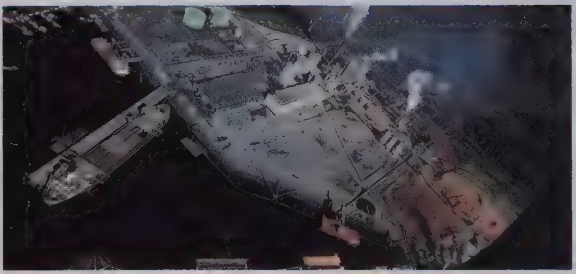






Minutes of the Tenth Annual General Meeting of the Shareholders





Donald M. Clark, Q.C.,
Secretary

The 10th Annual General Meeting of the Shareholders of Bank of British Columbia was held on Tuesday, December 13, 1977 at 11:00 o'clock in the forenoon in the Vancouver Island Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, B.C.

Mr. A. E. Hall requested the approval of the Meeting to the appointment of himself as Chairman and Mr. D. M. Clark as Secretary of the Meeting, and the appointment of Mr. Gordon R. Hall and Mr. Murray McDonald as Scrutineers to compute the votes of any ballots taken at the Meeting and to report thereon to the Chairman.

UPON MOTION by Mr. W. T. Brown, seconded by Mr. J. W. Madill, it was resolved that the foregoing appointments be approved.

The notice of Meeting was read by the Secretary. Mr. Hall advised the meeting that he had received satisfactory proof from the Secretary of the Bank that the notice calling the Meeting had been duly publicized in accordance with the Bank Act and had been sent to each shareholder of the Bank and, as a quorum was present, he declared the Meeting duly constituted.

Mr. Hall then addressed the Meeting as follows:

"It is most gratifying to have such a large number of shareholders and guests here today, and it provides me with the opportunity of extending to you warm greetings and a sincere welcome to this the Tenth Annual General Meeting of your Bank.

The continuing interest in your Bank, as evidenced by the support of our shareholders during the year and as further reflected in your attendance here, is not only encouraging to us in management but also serves as an acknowledgment of the valuable contribution to the development and progress of the Bank by not only your Board of Directors but also by our personnel at all levels.

I am pleased to inform you that on August 9 Mr. J. Wallace Madill of Calgary was elected to the Board. Mr. Madill is General Manager of the Alberta Wheat Pool and a member of the Senate, University of Calgary. He is a past President of the Calgary Chamber of Commerce, holds Directorships in various Western Canadian corporations, and is a member of several associations related to agriculture and was appointed Advisor to the Grains Group of the Federal Government in Ottawa. He is

also on the Calgary Advisory Board of the Crown Trust Company.

It is with sincere regret that I report the resignation on September 27 from the Board of Mr. Patrick M. Reynolds. Mr. Reynolds was elected to the Board on February 22, 1972 and he contributed importantly to the Bank during his tenure of office for which on your behalf we extend to him sincere thanks."

Mr. Hall stated that Minutes of the Ninth Annual General Meeting had been published and circulated to all of the shareholders and Mr. A. H. Mitchell moved: "That the Minutes of the Ninth Annual General Meeting of the Shareholders of the Bank held on December 14, 1976, copies of which have been mailed to the shareholders, be taken as if read, and approved and adopted."

The motion was seconded by Mr. T. A. Buell.

Mr. Hall then requested the shareholders to mark Ballot "A" for the approval of the Minutes to be collected by the usherettes after all ballots had been marked.

Mr. Hall then stated: "Copies of the Statement of Assets and Liabilities of the Bank and of the Statements of the Rest Account, Revenue, Expenses and Undivided Profits, and Accumulated Appropriations for Losses have been forwarded to every shareholder in advance of this Meeting, and as you have copies of these Statements before you, we will forego, with your approval, the actual reading of these Statements, except for the Auditors' Report appended to the Bank's financial statement and the Directors' Report. We will be hearing shortly from Mr. Dobb, Executive Vice President and General Manager on the operations of the Bank for the fiscal year just ended. Following his comments, we will be hearing from our Deputy Chairman, President and Chief Executive Officer, Mr. Trevor Pilley, as to his views on current economic conditions. After these two addresses, there will be a full opportunity for shareholders to ask questions."

The Chairman then called upon the Secretary to read the Directors' and Auditors' Reports:

Directors' Report

"The Directors of Bank of British Columbia take pleasure in submitting to the shareholders their report on the results of the Bank's operations for the financial year ended October 31, 1977, and the Tenth Annual Statement which contains statements of the rest account, revenue, expenses and undivided profits, accumulated appropriations for losses, and a statement of assets and liabilities as of that date, together with a statement of assets and liabilities, of the Bank's controlled corporation, BBC Realty Ltd., annexed thereto.

Since October 31, 1976, two new branches of the Bank were opened making a total of thirty-five branches of the Bank at the fiscal year end.

All branches of the Bank opened prior to April 30, 1977 have been inspected by the Bank's inspecting officers and the remainder will be inspected at an early date.

The Auditors appointed by the shareholders, D. J. Kelsey, F.C.A. and R. K. Duncan, C.A., have made their examination of the Bank's affairs and their report accompanies the Annual Statements.
A. E. Hall,
Chairman."

The Auditors' Report appears with the financial statements of the Bank. (Appears on page 31).

It was then moved by Mr. A. E. Hall, seconded by Mr. R. T. Cunningham that the annual statements for the fiscal year ended October 31, 1977 and the Directors' and Auditors' Reports thereon be adopted.

Mr. Hall requested the shareholders to mark Ballot "B" for the adoption of the statements and reports.

Mr. Hall then stated: "The provisions of the Bank Act require that one of the auditors be replaced every two years and we have asked Mr. Denham Kelsey, F.C.A.

to step down. I should like to express to him on your behalf our sincere thanks for the dedication and devotion he has given as one of the shareholders' auditors during the period he has served. I will ask Mr. Bruce Smith for a resolution concerning the appointment of auditors for the next fiscal year."

It was then moved by Mr. J. B. Smith, seconded by Mr. G. B. McIntosh, "that Mr. R. Keith Duncan, C.A., of Winspear Higgins Stevenson & Co. and Mr. Donald C. Selman, C.A. of Peat, Marwick, Mitchell & Co., be appointed Auditors of the Bank to hold office until the next Annual General Meeting and that their remuneration for the ensuing year be fixed at $65,000, said amount to be divided between them."

Mr. A. E. Hall then requested the shareholders to mark Ballot "C" for the appointment of Auditors.

Mr. Hall stated: "The Meeting is now open for the nomination of Directors for the ensuing year, 20 to be elected. Included in the list is Mr. Bryan J. Reynolds who is standing for election for the first time. Mr. Reynolds is President, Chief Executive Officer and a Director of Bethlehem Copper Corporation. He is also a Director of Coseka Resources Ltd.

We are pleased that this gentleman has agreed to be included with those who are standing for re-election to the Board as he represents the very important mining industry in the Province of British Columbia. I will now ask the Secretary to read the list of proposed Directors who are eligible for election."

The Secretary then read the following names:

Russell J. Bennett
Harry Booth
W. Thomas Brown
Thomas A. Buell
Donald M. Clark, Q.C.
Ralph T. Cunningham
Thomas A. Dohm, Q.C.
A. William Everett
Arthur Fouks, Q.C.
Albert E. Hall
Coleman E. Hall
J. Wallace Madill
William C. Mearns
A. Hoadley Mitchell
G. Buchan McIntosh
Trevor W. Pilley
Bryan J. Reynolds
Peter Paul Saunders
John L. Schlosser
J. Bruce Smith

Mr. J. D. Wilson then nominated each of the persons whose names had been read by the Secretary as a Director of the Bank for the ensuing year and stated: "The Tenth Annual Statement of the Bank is one of which the Board and Bank personnel can indeed be proud. It has been an outstanding year for the Bank and a great success story for the leadership of the Chairman. I feel as a shareholder we are most fortunate in having the guidance and influence of a most able Board of Directors and I am pleased to nominate the Board for the ensuing year."

A shareholder stated that she was surprised that no woman had been nominated as a Director and asked when the Bank intended to appoint a woman Director. The Chairman replied that when there is a vacancy in the Board the Bank is most concerned to select a Director who can best assist the Bank in its business without regard to the sex of the person. He stated that the Bank will keep the matter under consideration and in due course a woman will be elected to the Board.

Mr. Hall asked if there were any other nominations and, there being none, he declared the nominations closed. Mr. Hall then requested shareholders to mark Ballot "D" for the election of Directors.

Mr. Hall then stated: "Shareholders' By-Law No. 6 was approved 4 years ago at which time the remuneration to be paid to Directors in the aggregate was not to exceed $75,000 in each year and, individually, shall be such amounts as the Board of Directors shall from time to time by resolution determine. Since this

By-Law was approved 4 years ago, our Bank has grown to a sizeable institution, which has necessitated the holding of additional Directors' meetings, Executive Committee meetings and Pension Fund meetings with the result that the annual amount paid to Directors has been less than the amount authorized but the amount paid to Directors has increased annually with the increased activities of the Bank. With the expansion of the Bank, we could exceed the amount presently approved for payment to Directors during the coming year and the Bank is now asking that the aggregate amount be increased to $100,000.

During the past year, in addition to the Board meetings held in Vancouver, full Board meetings were held in Calgary, Kelowna and Edmonton, with excellent attendance from members of the Board. The purpose of holding meetings away from the Head Office of the Bank is to acquaint our Directors with the developments taking place in areas served by the Bank which reflects the strong interest and dedication our Directors have in the operations and growth of the Bank. I now ask Mr. Arthur Fouks for a resolution amending Shareholders' By-Law No. 6."

It was then moved by Mr. A. Fouks that: "Be it enacted and it is hereby enacted that Shareholders' By-Law No. 6 be deleted in its entirety and the following substituted therefor:

"6. The remuneration to be paid to the Chairman of the Board, the Deputy Chairman of the Board, the President, the Chief Executive Officer, the Vice Presidents and the General Manager, if any, shall in aggregate and individually be such amounts as the Board of Directors shall from time to time by resolution determine. The remuneration to be paid to the Directors as such in the aggregate shall not exceed $100,000 in each year and individually shall be such amounts as the Board of Directors shall from time to time by resolution determine."

The motion was seconded by Mr. C. E. Hall.

The Chairman then requested the shareholders to mark Ballot "E" for the enactment of By-Law No. 6 and retain it for collection later in the Meeting.

It was moved by Mr. J. L. Schlosser, seconded by Mr. H. Booth, "that Trevor W. Pilley, or failing him, Victor Dobb, or failing him, Wayne W. Allen, or failing him Donald M. Clark, be and is hereby appointed the true and lawful attorney of the Bank with power of substitution to attend and vote for and in the name of the Bank at any and all meetings of the shareholders of BBC Realty Ltd."

The Chairman then requested the shareholders to mark Ballot "F" for the appointment of attorney.

Mr. Hall called upon Mr. Victor Dobb, Executive Vice President and General Manager, to give his report. (Mr. Dobb's report appears on page 17).

Mr. Hall called upon Mr. Pilley to address the Meeting. (Mr. Pilley's address appears on page 7).

Upon receipt of the report of the Scrutineers, the Chairman announced that Ballots "A" to "F", inclusive, had been carried.

A shareholder asked how far East the Bank intended to go and how long it would be before a Branch was opened in Toronto.

Mr. Pilley replied that eventually it was the intention of the Bank to become a national bank but in the meantime the Bank's strength had been the British Columbia and Alberta markets with a Head Office in Vancouver.

Mr. Pilley was also asked why the Bank intended to open an office in London, and he replied that the majority of international business originates there and it is desirable for the Bank to have a representative there.

There being no further questions and no further business, the Chairman then thanked the shareholders for their attendance at the Meeting and declared the Meeting terminated.

Albert E. Hall,
Chairman.

At the Meeting of the Board of Directors held subsequent to the Annual General Meeting of Shareholders, the following officers were elected: Albert E. Hall, Chairman of the Board; Trevor W. Pilley, Deputy Chairman, President and Chief Executive Officer; Ralph T. Cunningham, Vice President; C. E. Hall, Vice President; Donald M. Clark, Q.C., Secretary; Miss D. McDermott, Assistant Secretary.

Miss D. McDermott,
Assistant Secretary

Ten Year Statistical Review
(in thousands of dollars)

Assets and Liabilities

Assets	**1977**	1976	1975	1974
Cash resources	**$ 161,106**	$100,979	$ 97,848	$ 92,086
Securities	**122,076**	77,055	32,249	30,600
Loans	**843,194**	629,747	466,595	337,336
Bank premises (net)	**6,871**	5,504	3,978	2,911
Other assets	**44,932**	31,158	24,336	18,858
Total	**$1,178,179**	$844,443	$625,006	$481,791
Liabilities				
Deposits	**$1,097,931**	$785,713	$574,284	$445,590
Other liabilities	**33,302**	21,741	19,879	15,152
Accumulated appropriation for losses	**7,487**	5,351	4,020	2,774
Capital funds:				
Debentures	**8,000**	8,000	8,000	5,000
Capital stock	**11,920**	9,464	7,658	5,106
Rest account	**19,473**	14,105	11,100	8,100
Undivided profits	**66**	69	65	69
Total	**$1,178,179**	$844,443	$625,006	$481,791

Accumulated Appropriations for Losses

Accumulated Appropriations at beginning of year	**$ 5,351**	$ 4,020	$ 2,774	$ 1,582
Additions (deductions) during year:				
Appropriations from current year's operations	**2,675**	1,875	1,750	549
Loss experience on loans less provision included in other operating expenses	**(139)**	(25)	(67)	345
Profits and losses on securities, etc.	**342**	(50)	287	(282)
Credit for income taxes	**933**	681	501	580
Transferred to undivided profits	**(1,675)**	(1,150)	(1,225)	–
	2,136	1,331	1,246	1,192
Accumulated Appropriations at end of year:				
General	**7,288**	5,234	3,955	2,769
Tax paid	**199**	117	65	5
Total	**$ 7,487**	$ 5,351	$ 4,020	$ 2,774

Rest Account

Balance at beginning of year	**$ 14,105**	$ 11,100	$ 8,100	$ 8,050
Premium on issue of capital stock	**2,718**	1,180	1,113	–
Transfer from undivided profits	**2,650**	1,825	1,887	50
Balance at end of year	**$ 19,473**	$ 14,105	$ 11,100	$ 8,100

1973	1972	1971	1970	1969	1968
$ 61,814	$ 38,376	$ 22,496	$ 15,108	$ 9,894	$ 13,081
16,242	21,685	28,203	35,103	23,382	13,146
235,067	179,452	124,294	68,290	38,190	6,965
1,884	1,513	1,462	1,217	1,045	561
2,859	3,150	1,838	1,553	1,492	114
$317,866	$244,176	$178,293	$121,271	$ 74,003	$ 33,867

$295,305	$221,616	$163,312	$107,134	$ 59,638	$ 20,642
2,774	3,181	1,201	969	1,517	490
1,582	1,333	936	474	311	250
5,000	5,000	–	–	–	–
5,106	5,106	5,106	5,106	5,106	5,106
8,050	7,900	7,700	7,550	7,400	7,350
49	40	38	38	31	29
$317,866	$244,176	$178,293	$121,271	$ 74,003	$ 33,867

$ 1,333	$ 936	$ 474	$ 311	$ 250	$ –
250	130	283	133	70	250
(250)	147	(69)	(87)	(9)	–
(6)	26	(9)	–	–	–
255	94	257	117	–	–
–	–	–	–	–	–
249	397	462	163	61	250
1,577	1,328	936	474	311	250
5	5	–	–	–	–
$ 1,582	$ 1,333	$ 936	$ 474	$ 311	$ 250

$ 7,900	$ 7,700	$ 7,550	$ 7,400	$ 7,350	$ –
–	–	–	–	–	7,338
150	200	150	150	50	12
$ 8,050	$ 7,900	$ 7,700	$ 7,550	$ 7,400	$ 7,350

10th ANNUAL REPORT 1977

Ten Year Statistical Review
(in thousands of dollars)

Revenue, Expenses and Undivided Profits

Revenue	1977	1976	1975	1974
Income from loans	$ 88,388	$67,421	$48,628	$39,014
Income from securities	6,518	4,456	3,394	2,142
Other operating revenue	6,357	4,778	3,792	2,392
Total Revenue	$101,263	$76,655	$55,814	$43,548
Expenses				
Interest on deposits and bank debentures	$ 61,571	$47,611	$33,077	$29,095
Salaries, pension contributions and other staff benefits	16,237	12,650	9,085	7,129
Property expenses, including depreciation	3,088	2,438	1,891	1,519
Other operating expenses	12,655	8,077	5,937	3,962
Total Expenses	93,551	70,776	49,990	41,705
Balance of Revenue	7,712	5,879	5,824	1,843
Provision for income taxes relating thereto	3,255	2,750	3,000	969
Balance of revenue after provision for income taxes	4,457	3,129	2,824	874
Appropriation for losses	2,675	1,875	1,750	549
Balance of profits	1,782	1,254	1,074	325
Dividends	810	575	416	255
Amount carried forward	972	679	658	70
Undivided profits at beginning of year	69	65	69	49
Transfer from accumulated appropriations for losses	1,675	1,150	1,225	–
	2,716	1,894	1,952	119
Transfer to rest account	2,650	1,825	1,887	50
Undivided Profits at End of Year	$ 66	$ 69	$ 65	$ 69

Other Information	1977	1976	1975	1974
Balance of revenue per share after provision for income taxes	$4.42	$4.05	$4.08	$1.71
Dividends per share	.80	.75	.65	.50
Number of branches	36	33	31	29

Valuation day value – December 22, 1971: $22.25.

1973	1972	1971	1970	1969	1968
$18,518	$11,480	$ 7,360	$ 5,127	$ 2,025	$ 593
1,263	1,360	2,505	1,967	1,237	352
1,434	815	518	300	123	21
$21,215	$13,655	$10,383	$ 7,394	$ 3,385	$ 966
$11,957	$ 7,766	$ 5,496	$ 4,067	$ 1,618	$ 70
4,256	2,713	1,984	1,407	836	229
1,012	817	639	453	268	136
2,676	1,555	1,340	944	541	240
19,901	12,851	9,459	6,871	3,263	675
1,314	804	924	523	122	291
650	370	440	233	–	–
664	434	484	290	122	291
250	130	283	133	70	250
414	304	201	157	52	41
255	102	51	–	–	–
159	202	150	157	52	41
40	38	38	31	29	–
–	–	–	–	–	–
199	240	188	188	81	41
150	200	150	150	50	12
$ 49	$ 40	$ 38	$ 38	$ 31	$ 29
$1.30	$ .85	$ .95	$ .57	$ .24	$ .57
.50	.20	.10	–	–	–
24	20	18	11	8	3

Note:

For purposes of the Statistical Review, the amounts for the years preceding 1973 have been restated where necessary to conform to 1973 and subsequent year's presentation.

For presentation purposes, certain statutory headings have been abbreviated.

Senior Officers of the Bank of British Columbia

ALBERT E. HALL
Chairman of the Board and Chairman of the Executive Committee

TREVOR W. PILLEY
Deputy Chairman, President and Chief Executive Officer

WAYNE W. ALLEN
Senior Executive Vice President

VICTOR DOBB
Executive Vice President and General Manager

F. PETER DARLING
Executive Vice President

Senior Vice President

ROBERT J. FRUIN
Credit

Vice Presidents

HENRY J. BOW
International Division

KERMIT R. CULHAM
Human Resources

HUGH DALGLEISH
Chief Inspector

LESLIE J. FOWLER
Chief Accountant and Comptroller

ARNOLD E. MILES-PICKUP
Investment Department

F. MILTON SHARPE
Consumer Credit Division

GORDON R. WALLACE
Branch Operations, Marketing and Administration

Assistant General Managers

STEPHEN D. ADAMS
Branch Operations

EARL V. ANDRUSIAK
Branch Operations

JAMES M. A. BRIDEN
Corporate Credit

PETER C. DIRK
Corporate Credit

W. ALAN FRANKLIN
Data Processing

DAVID W. MULLER
Investments

EINAR N. MYRHOLM
Corporate Credit Edmonton

P. NEIL McEACHERN
Administration

GERALD M. O'KEEFE
Branch Development

ARNOLD C. PROPP
Manager Edmonton Main Office

MICHAEL S. ROGERS
Manager Vancouver Main Office

CYRIL TODD
Consumer Credit Division

Branch Operations, Marketing and Administration

Vice President
G. R. Wallace

Administration Department

Assistant General Manager
P. N. McEachern

Superintendent
W. E. Scharff

Branch Development

Assistant General Manager
G. M. O'Keefe

Branch Operations

Assistant General Managers
S. D Adams, Head Office
E. V. Andrusiak, Head Office
A. C. Propp, Edmonton Main Office
M. S. Rogers, Vancouver Main Office

Data Processing

Assistant General Manager
W. A. Franklin

Marketing

Superintendent
G. T. Fearnley

Comptroller's Department

Vice President, Chief Accountant and Comptroller
L. J. Fowler

Deputy Comptroller
K. G. Found

Credit Department

Senior Vice President
R. J. Fruin

Commercial Credit

Assistant General Managers
J. M. A. Briden, Head Office
P. C. Dirk, Head Office
E. N. Myrholm, Edmonton

Superintendents
R. S. Anthony, Edmonton
B. R. Hewson, Head Office
T. A. Hockin, Head Office
L. A. Lund, Head Office

Consumer Credit Division

Vice President
F. M. Sharpe

Assistant General Manager
C. Todd

Superintendent
R. E. Da Silva

Economics Department

Senior Economist
B. D. Carter

Executive Assistant

B. P. Millard

Human Resources Department

Vice President
K. R. Culham

Inspection Department

Vice President and Chief Inspector
H. Dalgleish

Senior Inspectors
J. P. Ancrum
G. D. Mulligan, Computer Audit
C. J. Nordstrom

International Division

Vice President
H. J. Bow

Superintendent
A. K. C. Ee

Special Representative
J. Tsow

Investment Department

Vice President
A. E. Miles-Pickup

Assistant General Manager
D. W. Muller

Senior Officers. *Top row, left to right:* Trevor W. Pilley, Wayne W. Allen. *Bottom row, left to right:* Victor Dobb, F. Peter Darling.

Vice Presidents. *Seated, left to right:* Kermit R. Culham, Henry J. Bow, Hugh Dalgleish, Leslie J. Fowler, Robert J. Fruin, Senior Vice President. *Standing, left to right:* Gordon R. Wallace, Arnold E. Miles-Pickup, F. Milton Sharpe.

Assistant General Managers. *Bottom left, left to right:* Earl V. Andrusiak, Peter C. Dirk, Michael S. Rogers, Stephen D. Adams, Einar N. Myrholm.

Bottom right, seated, left to right: Gerald M. O'Keefe, Cyril Todd, David W. Muller, P. Neil McEachern. *Standing, left to right:* Arnold C. Propp, W. Alan Franklin, James M. A. Briden.

International Banking

The International Division, comprising the Head Office International Banking Department and the San Francisco Agency, enjoyed another year of substantial growth in assets and earnings.

The foreign loan and investment portfolio is well diversified geographically. The borrowers are predominantly Governments, Government Agencies, Commercial Banks and major corporations. In lesser developed countries, lending has been restricted to sovereign risks, with the majority of transactions relating to project finance. Loans have been made only to those developing countries which are rich in natural resources, including energy, and which have significant export earnings potential.

In Western Canada and the U.S.A., aggressive marketing of corporate services resulted in a substantial growth of wholesale foreign currency deposits. The balance of funds used in the Bank's International operations were raised in the Euro-currency inter-bank market.

Foreign Exchange markets were very active and highly volatile during the past year. The most significant factors affecting the Bank's Foreign Exchange operations were the decline of the Canadian dollar against the U.S. dollar, and in the latter half of the year the growing weakness of the U.S. dollar in relation to other major currencies. In spite of these difficult and turbulent market conditions, foreign exchange earnings increased by 20%.

Other operating revenue grew by a similar percentage, the largest increase coming from higher commitment and standby fees for foreign loans.

The net asset growth during the past year was largely concentrated in the advanced industrial countries. The greatest increases in new business were in North America and Western Europe. At the close of the fiscal year the International Division's foreign currency assets were equivalent to $163.5 million, approximately 14% of the Bank's total assets.

The overseas call programme continued to play an important part in the expansion and diversification of International business in both the public and private sector. During the year visits were

made to the United States, United Kingdom, Denmark, Sweden, Norway, Finland, Puerto Rico, Venezuela, Brazil, Japan and Hong Kong.

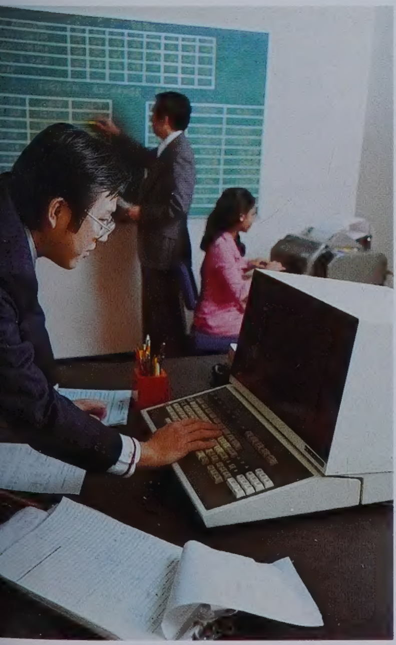
The above activities have resulted in a broader customer base, which includes new additions to the existing network of Correspondent Banks.

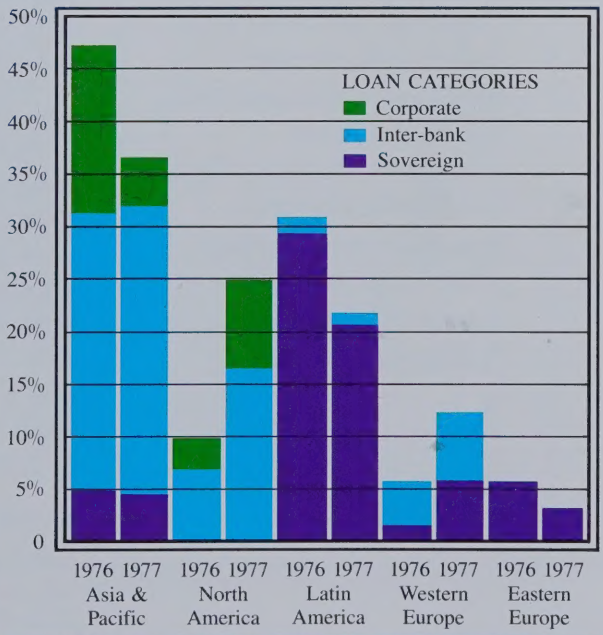
Further expansion is planned for 1978, including the establishment of a Representative Office in London, England. It is anticipated that this office will play an important role in developing new International business, by giving the Bank a full-time presence in one of the world's key International markets.

International Banking
Geographical Distribution of Assets as at October 31st

	1976		1977	
Area	$ M/M	%	$ M/M	%
Asia and Pacific	$ 55.4	47%	$ 59.8	36.5%
North America	11.8	10%	40.8	25.0%
Latin America	36.6	31%	35.7	22.0%
Western Europe	7.2	6%	21.2	13.0%
Eastern Europe	7.0	6%	6.0	3.5%
	$118.0	100%	$163.5	100.0%
Average Foreign Currency Assets	$113.9		$139.4	
% of Bank's Total Average Assets		15.65%		13.64%

Approximately 30% of the Bank's Balance of Revenue after tax is derived from the Bank's International operations.





Branches

VANCOUVER

Main – 999 West Pender Street
M. S. Rogers, *Assistant General Manager and Manager*
J. E. G. Young, *Deputy Manager*
R. J. Buchanan, *Senior Account Manager*

Broadway & Willow –
800 West Broadway
P. A. O'Connor, *Manager*

Burnaby – 5210 Kingsway
J. C. G. Lai, *Manager*

Chinatown – 601 Main Street
H. Fetigan, *Manager*

1047 Denman Street
R. Straker, *Manager*

Fraser & 48th –
6373 Fraser Street
P. R. Panchyshyn, *Manager*

937 West Georgia Street
F. E. Chambers, *Manager*
R. J. Collens, *Senior Account Manager*

Granville & 12th –
2735 Granville Street
J. B. Carlson, *Manager*

Hastings & Penticton –
2599 East Hastings Street
N. S. Elliot, *Manager*
B. J. Weston, *Senior Account Manager*

Kerrisdale –
2164 West 41st Avenue
D. Duke, *Manager*

North Vancouver –
1457 Lonsdale Avenue
C. G. Pickavance, *Manager*

10th & Sasamat –
4480 West 10th Avenue
C. A. Hetherington, *Manager*

West Vancouver –
1645 Marine Drive
J. C. Wright, *Manager*

LOWER MAINLAND

New Westminster –
731 Columbia Street
G. T. Cameron, *Manager*

Richmond – 6800 No. 3 Road
P. L. Booth, *Manager*

Surrey –
10241 King George Highway
P. L. Cote, *Manager*

White Rock –
1493 Johnston Road
P. T. Webb, *Manager*

FRASER VALLEY

Abbotsford –
33700 Essendene Avenue
C. H. Gumbert, *Manager*

Chilliwack – 1 Main Street
E. A. Zizzy, *Manager*

Haney – 11955-224th Street
A. H. Ackland, *Manager*

Langley –
20437 Fraser Highway
E. Oun, *Manager*

INTERIOR

Cranbrook – 1001 Baker Street
H. D. Lundell, *Manager*

Kamloops – 380 Victoria Street
L. C. Earle, *Manager*

Kelowna – 313 Bernard Avenue
V. E. Broeder, *Manager*

Penticton – 294 Main Street
A. Richmond, *Manager*

Vernon – 3321 Barnard Avenue
A. Fergusson, *Manager*

VANCOUVER ISLAND

Victoria Main – 752 Fort Street
H. J. Steele, *Manager*
R. W. Hogervorst, *Senior Account Manager*

Victoria – Douglas & Johnson Street – 1327 Douglas Street
J. D. Bourgeois, *Manager*

Nanaimo –
70 Commercial Street
D. J. Huie, *Manager*

ALBERTA – CALGARY

Calgary Main –
444-5th Avenue S.W.
J. C. McCarthy, *Manager*
G. J. Syrota, *Senior Account Manager*

Alberta Place –
1530-4th Avenue S.W.
A. W. J. Smith, *Manager*

Forest Lawn –
3620-17th Avenue S.E.
A. C. Kennedy, *Manager*

ALBERTA – EDMONTON

Edmonton Main –
10065 Jasper Avenue
A. C. Propp, *Assistant General Manager and Manager*
J. D. Wiggins, *Senior Account Manager*

106th & Jasper Avenue –
10561 Jasper Avenue
G. M. Reid, *Manager*

82nd & 104th Street Branch –
8139-104th Street
F. W. Goodman, *Manager*

97th & 130th Branch –
13043-97th Street
M. D. Krause, *Manager*

INTERNATIONAL AGENCY

San Francisco, California –
300 Montgomery Street, Suite 735
C. Bettles, *Agent*

Bank of British Columbia

Head Office: 1725 Two Bentall [illegible]

Bank of British Columbia

LITHO'D IN CANADA
AGENCY PRESS LIMITED